

Message Text

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ACTION AF-18

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TAGS: ETRD ,,, EAGR, MI

SUBJ: MALAWI SUGAR QUOTA

REF: BLANTYRE A-8

1. PETER KALILOMBE, PERMANENT SECRETARY TRADE AND INDUSTRY, CALLED ME MAY 9 IN CONSIDERABLE AGITATION TO SAY HE HAD JUST LEARNED SUB-COMMITTEE OF HOUSE AGRICULTURAL COMMITTEE HAD VOTED TO INCLUDE MALAWI AMONG SEVEN COUNTRIES WHOSE SUGAR QUOTA FIXED AT 15,000 TONS OVER 5-YEAR LIFE OF NEXT SUGAR ACT WITHOUT EVEN POSSIBILITY OF INCREASE FROM GROWTH IN U.S. REQUIREMENTS OR FAILURE OTHER PRODUCERS MEET QUOTAS.

2. KALILOMBE SAID GOM MOST DISTRESSED AT THIS SUDDEN AND UNEXPECTED DEVELOPMENT. MALAWI HAD ASKED FOR INCREASE TO 30,000 TONS AND BELIEVED ITS CASE WELL RECEIVED BEFORE AGRICULTURAL COMMITTEE. INSTEAD IT NOW CONFRONTED WITH ACTUAL CUT IN QUOTA (MALAWI'S QUOTA HAS INCREASED FROM ORIGINAL
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15,000 TONS TO 15,748). DEVELOPMENT PLANS FOR LOWER SHIRE

BASED ON STEADY EXPANSION IN PRODUCTION SUGAR FOR EXPORT OVER AND ABOVE LOCAL CONSUMPTION. SECOND SUGAR AREA IN CENTRAL REGION NOW IN PREPARATION. THESE PLANS ALSO BASED UPON ANTICIPATED INCREASE IN U.S. QUOTA OVER YEARS AHEAD.

3. SUGAR COMPANY OF MALAWI (SUCOMA) HAS PLANNED INCREASES IN GROWTH OF EXPORTS ABOVE LOCAL CONSUMPTION AS FOLLOWS: 24,000 TONS IN 1974; 36,000 IN 1975; 56,000 IN 1976; 72,000 IN 1977; 87,000 IN 1978; AND 123,000 IN 1979. DWANGWA SUGAR PROJECT IN CENTRAL REGION, ANOTHER UNDEVELOPED AREA, SCHEDULED COME ON STREAM IN 1977.

4. COMMENT: NEWS OF SUB-COMMITTEE'S ACTION COMES AS UNPLEASANT SURPRISE TO US. CASE FOR MODEST INCREASE TO 30,000 TONS SOUGHT BY MALAWI SEEMED STRONG ON BOTH POLITICAL AND ECONOMIC-DEVELOPMENT GROUNDS. ON POLITICAL SIDE MALAWI HAS BEEN CONSISTENT SUPPORTER OF U.S. ON BROAD INTERNATIONAL ISSUES INCLUDING ISRAEL, KHMER REPUBLIC AND VIETNAM REPRESENTATION, EVEN AT CONSIDERABLE POLITICAL COST TO ITSELF AND ISOLATION IN AFRICA. MALAWI ASSUMING ADDITIONAL POLITICAL IMPORTANCE OF ITS OWN AT THIS JUNCTURE IN VIEW OF EXPECTED CHANGES IN MOZAMBIQUE, MALAWI'S CONSISTENT ADVOCACY OF DIALOGUE AND COMMUNICATION, AND ITS CONTACTS WITH BOTH PORTUGAL AND BLACK REGIMES. FAVORABLE POLITICAL COLORATION OF MALAWI, IT SEEMS TO US, CONTRASTS SHARPLY WITH THAT OF OTHER COUNTRIES IN GROUP WITH WHICH MALAWI ASSOCIATED BY SUB-COMMITTEE. WE WILL FIND IT HARD TO EXPLAIN TO GOM POLITICAL RATIONALE FOR THIS GROUPING.

5. COMMENT: ON ECONOMIC DEVELOPMENT SIDE MALAWI IS AMONG 25 LEAST-DEVELOPED COUNTRIES AND LOWER SHIRE WHERE SUGAR PRODUCTION CONCENTRATED IS LEAST DEVELOPED PART OF MALAWI. U.S. QUOTA MAKES SIGNIFICANT CONTRIBUTION TO INCREASED AGRICULTURAL EARNINGS IN AREA AND MOVEMENT FROM SUBSISTENCE TO CASH ECONOMY. SUGAR PRODUCTION COMPLEMENTS IDA-FINANCED LOWER SHIRE DEVELOPMENT PROJECT. ECONOMIC FEASIBILITY OF AID-FUNDED CHIKWAWA-BANGULA ROAD RESTS IN PART ON CONTINUED GROWTH IN SUGAR OPERATIONS. SUGAR PROVIDES NEEDED DIVERSIFICATION IN AGRICULTURE WHICH IS BASIS MALAWI ECONOMY. STABILITY DERIVED FROM U.S. QUOTA GIVES CUSHION AGAINST LIMITED OFFICIAL USE

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FLUCTUATING COMMODITY PRICES. THERE IS ALSO POSSIBILITY OF INCREASED SALE OF U.S. AGRICULTURAL EQUIPMENT; SUCOMA IS DISCUSSING WITH U.S. SUPPLIERS POSSIBLE PURCHASE OF SUGAR MILL FOR CENTRAL REGION. FINALLY MALAWI HAS SHOWN ITSELF RELIABLE SOURCE. EFFICIENT MANAGEMENT OF SUGAR BUSINESS HERE CAN BE DEPENDED UPON TO MEET FUTURE COMMITMENTS TO U.S.

7. WE URGE DEPARTMENT TO DISCUSS WITH SUB-COMMITTEE MALAWI

REQUEST ON ABOVE LINES IN EFFORT TO SECURE 30,000 TON QUOTA.
AMOUNT SOUGHT IS SMALL IN GLOBAL TERMS BUT OF INFINITE
IMPORTANCE TO SMALL COUNTRY. WE WOULD APPRECIATE LEARNING
RATIONALE FOR SUB-COMMITTEE DENIAL MALAWI REQUEST FOR QUOTA
INCREASE.
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